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STATE OF MONTANA

SIXTH BIENNIAL REPORT

OF THE

LEGISLATIVE AUDITOR

December 1978

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senators	Representatives
Matt A. Himsl, Vice-Chairman	Harold E. Gerke, Chairman
Greg Jergeson	Harold L. Ellis
Lloyd C. Lockrem, Jr.	John P. Scully
Cornie R. Thiessen, Secretary	Robert A. Ellerd

Morris L. Brusett, CPA
Legislative Auditor

TABLE OF CONTENTS

	Page
Introduction	1
The Legislative Audit Committee	2
Membership	2
Meetings	3
The Legislative Auditor	5
Duties	6
Audit Objectives	6
Audit Standards	7
Audit Reports	8
Type of Audits	8
Comprehensive Audits	9
Fiscal Audits	10
Program/Performance Audits	11
Areas of Emphasis During the Biennium	14
Sunset Performance Audits	14
Revenue Sharing Act	16
Organization	18
Staff Members	19
Audits in Progress at December 31, 1978	22
Summary of Recommendations	23
Index to Reports Issued 1977-78	27
Legal Authority	34
Constitution	34
The Legislative Audit Act	34
The Sunset Law	38
Budget Report 1977-79 Biennium	40

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A
DEPUTY LEGISLATIVE AUDITOR

JOHN W. NORTHEY
STAFF LEGAL COUNSEL

December 31, 1978

To The Members of the 46th Legislative Assembly:

Transmitted herein is the sixth biennial report of the Legislative Auditor. I am submitting this report pursuant to the provisions of Section 79-2310(6), R.C.M. 1947, which requires the submission of this report during the first week of the Legislative Session.

This report summarizes the activities of the Legislative Audit Committee and the Legislative Auditor for the past biennium. It also presents background information on the Office of the Legislative Auditor and the manner in which it operates.

During the biennium, we performed extensive fiscal audits of state agencies, four program audits, and concentrated on the development and implementation of a sunset performance audit structure. We also developed a three year audit cycle to comply with the Federal Revenue Sharing Audit Requirements. These matters are discussed more fully in this report.

The members of the Legislative Audit Committee contributed significantly to the success of the legislative audit program during the biennium. I thank each of them for their active interest and support.

Sincerely,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

INTRODUCTION

Auditing, in its broadest sense, is a systematic process of evaluation and appraisal of procedures and operations for the purpose of determining conformity with generally accepted or prescribed criteria.

Prior to 1967, there was virtually no auditing of state agencies in Montana. In 1967, the Legislature enacted the "Legislative Audit Act" creating a legislative post-audit function in Montana state government.

The act established the Legislative Audit Committee of the Montana Legislature and the Office of the Legislative Auditor. The Legislative Audit Committee and the Office of the Legislative Auditor provide the Legislature, its committees, and its members with factual and timely information vital to the discharge of their legislative duties. This sixth biennial report summarizes these operations over the past two years.

THE LEGISLATIVE AUDIT COMMITTEE

The Legislative Audit Committee is a bicameral and bipartisan standing committee of the Montana Legislature. It consists of four members of the Senate and four members of the House of Representatives. No more than two of the members from each house can be members of the same political party. The eight members of the Audit Committee are appointed by the sixtieth legislative day in the same manner as are the other standing committees of the Legislature. Membership on the Audit Committee ends with each member's term of office, the sixtieth legislative day or when a successor is appointed, whichever occurs first.

The Audit Committee appoints, consults with and advises the Legislative Auditor. The Audit Committee also reviews the audit reports submitted by the Legislative Auditor and releases the audit reports to the public.

Membership

Members and officers of the Legislative Audit Committee during the current biennium are:

Senators	Representatives
Matt A. Himsl Kalispell	Robert A. Ellerd Bozeman
Greg Jergeson Chinook	Howard L. Ellis Missoula
Lloyd C. Lockrem, Jr. Billings	Harold E. Gerke Billings
Cornie R. Thiessen Lambert	John P. Scully Bozeman

Representative Gerke was elected by the Audit Committee as chairman for the 1977-79 biennium. Senator Matt A. Himsl was elected vice-chairman, and Senator Cornie R. Thiessen was elected secretary of the Audit Committee.

Meetings

The Legislative Audit Committee held 25 meetings during the 1977 and 1978 calendar years. At these meetings the Audit Committee elected its officers, reestablished its rules of order and activities, reappointed the Legislative Auditor, adopted a detailed budget, received financial reports of the Legislative

Auditor's operations, approved the audit plan, and received and reviewed 85 audit reports submitted by the Legislative Auditor.

The Audit Committee also received and reviewed quarterly reports during the biennium from the Attorney General on the financial status and progress of the Workers' Compensation investigation.

THE LEGISLATIVE AUDITOR

The Legislative Auditor is solely responsible to the Legislative Assembly, and operates primarily through the Legislative Audit Committee. His term of office is for two years beginning July 1 of each odd numbered year. However, the Audit Committee may remove him from office at any time for misfeasance, malfeasance or nonfeasance in office, after notice and hearing.

While the Legislative Auditor is authorized by law to issue reports which include comments, recommendations and suggestions, he has no authority in law to enforce the recommendations or suggestions nor otherwise influence or direct executive or legislative action.

The Legislative Auditor has the statutory authority to examine all the books, accounts and records, confidential or otherwise, of a state agency at any time. However, this authority is not construed as authorizing the publication of information which the law prohibits publishing. All state agencies are required by law to aid and assist the Legislative Auditor in the auditing of books, accounts and records.

Duties

The Legislative Auditor has two general duties prescribed by the Legislative Audit Act:

1. Conduct audits of state agencies, programs and operations.

2. Assist the Legislature, its committees, and its members during legislative sessions by gathering and analyzing information when requested.

Audit Objectives

The general objectives of audits performed by the Office of the Legislative Auditor are prescribed by law. They are "to determine whether:

1. The agency is carrying out only those activities or programs authorized by the Legislative Assembly and is conducting them efficiently and effectively.

2. Expenditures are made only in furtherance of authorized activities and in accordance with the requirements of applicable laws and regulations.

3. The agency collects and accounts properly for all revenues and receipts arising from its activities.

4. The assets of the agency or in its custody are adequately safeguarded and controlled and utilized in an efficient manner.

5. Reports and financial statements by the agency to the Governor, the Legislative Assembly, and central agencies disclose fully the nature and scope of the activities conducted, and provide a proper basis for evaluating the agency's operations."

Audit Standards

The Office of the Legislative Auditor has adopted the standards and procedures for auditing established and advocated by the American Institute of Certified Public Accountants (AICPA), and the United States General Accounting Office (GAO). These standards and procedures include the Statements On Auditing Standards, and Industry Audit Guides, published by the American Institute of Certified Public Accountants, and the Standards For Audit of Governmental Organizations, Programs, Activities, and Functions, published by the United States General Accounting Office.

Audit Reports

Audit reports prepared by the Legislative Auditor present recommendations for improvements in state agency operations and programs. We distribute the reports to all interested parties. Copies of the audit reports are available upon request, to anyone free of charge.

The audit reports issued during the past biennium are listed on page 27. The audit assignments in progress at December 31, 1978, for which audit reports will be forthcoming are listed on page 22.

Type of Audits

The Office of the Legislative Auditor has the staff resources and expertise to conduct any type of audit. There are three basic categories of audits carried out by the Office of the Legislative Auditor, and its counterparts at the federal level and in other states. These are:

--Comprehensive Audits

--Fiscal Audits

--Performance Audits

These three general categories include various types of audits, some of which are traditional in nature and some of which are more contemporary. The relationship

of the various types of audits is shown in the following chart which depicts the scope of governmental audits.

SCOPE OF GOVERNMENTAL AUDITS

COMPREHENSIVE AUDITS

	FISCAL AUDITS		PERFORMANCE AUDITS	
	(See Note)			
	FINANCIAL AUDITS	COMPLIANCE AUDITS	MANAGEMENT AUDITS	PROGRAM AUDITS
Purpose of Work	Accountability	Legality	Economic and Efficient Operation of Programs	Effective Operation of Programs
	Financial Transactions	Compliance with Laws, Regulations and Procedures	Assess Efficiency and Economy of Operations	Assess Achievement of Legislative Intent
Focus of Work	Financial Statements	Federal and State Laws and Regulations	Personnel, Facilities, Resources .Accomplishment .Acquisition .Control .Utilization	
			Legislative Intent, Implicit or Explicit Objectives Management Representations and Performance Standards	

Note: Fiscal audits conducted by the Office of the Legislative Auditor include these aspects.

Comprehensive Audits

Comprehensive audits generally encompass all the other types of audits. When focused upon agencies of any size and properly done, comprehensive audits require extensive commitments of staff time and result in audit reports which are voluminous. For this reason, no comprehensive audits were undertaken during the biennium. Rather, the resources of the office have been concentrated on fiscal (financial/compliance) audits and performance (program/performance) audits which include Sunset audits.

Fiscal Audits

The fiscal or financial/compliance audit encompasses (a) the traditional CPA financial audit, (b) the compliance audit, and (c) a limited program/performance audit. The primary objectives of fiscal audits are to ascertain that:

1. Expenditures are made only in furtherance of authorized activities and in accordance with the requirements of applicable laws and regulations.

2. An agency collects and accounts properly for all revenues and receipts arising from its activities.

3. The assets of an agency or in its custody are adequately safeguarded and controlled.

4. Reports and financial statements by an agency to the Governor, the Legislature, and central control agencies disclose fully the nature and scope of the activities conducted, and provide a proper basis for evaluating the agency's operations.

A secondary objective of fiscal audits is to identify instances and areas where agency operations or programs are uneconomical, inefficient and/or ineffective. Areas of ineconomy, inefficiency, or ineffectiveness may or may not be developed and reported in conjunction with fiscal audits. They may be developed as separate program/performance audits depending upon the magnitude of the areas and the need for concentrated audit resources.

Program/Performance Audits

Program/performance audits focus upon efficiency, economy, and accomplishment or lack of accomplishment. The emphasis in the Office of the Legislative Auditor today is being placed on determining whether state agency operations and programs are effective. That is, are they accomplishing what they were established to accomplish and are there more efficient, economical, and effective ways of accomplishing the same thing.

The potential benefit from performance audits is:

--Increased legislative understanding of selected programs;

--Improved government operations and services; and

--Identification of ways to save money by increasing the effectiveness of operations or decreasing expenditures.

The major differences between the program/performance audits and the fiscal audits are:

--Program audits may or may not be done by accountants, while fiscal audits are done by accountants;

--Technique and approach.

Because of the absence of well developed practices and audit techniques in the program/performance audit area, we are using a five-phase approach. This approach is similar to that being used by other states, and is presented on the following diagram.

PROCESS FOR INITIATION AND COMPLETION OF MAJOR PROGRAM/PERFORMANCE AUDITS

Phase	Legislative Auditor	Legislative Audit Committee
1. Identification	Legislative Auditor and staff identify areas, topics, programs, etc., for possible audit. ←	Members of Legislative Audit Committee refer areas for potential audit.
	↓	
2. Preliminary Survey	Legislative Auditor selects areas, topics, programs, etc., for brief review to assess problems and determine merit of further work. Memo summarizing preliminary surveys sent to Legislative Audit Committee. →	Legislative Audit Committee reviews survey report, meets and selects areas for further work.
3. Specification	Legislative Auditor and staff prepare a detail plan to carry out the audit selected by Legislative Audit Committee.	
	↓	
4. Development	Legislative Auditor and staff perform detail audit work to develop and audit report.	
	↓	
5. Report	Legislative Auditor and staff prepare audit report, using same process presently used for audit reports. Send report out to Legislative Audit Committee. →	Review audit report and meet to discuss and release to public.

AREAS OF EMPHASIS DURING THE BIENNIUM

Special emphasis was given to two areas during the biennium: development and implementation of Sunset Performance Audits and assuring compliance with audit requirements of the Federal Revenue Sharing Act.

Sunset Performance Audits

The 1977 Legislature passed Senate Bill 162 as Chapter 562, Laws of Montana, 1977. The law, commonly referred to as the "sunset law," terminates numerous regulatory boards and agencies and specifically requires a performance audit of each agency prior to scheduled termination. The Office of the Legislative Auditor conducted 14 sunset performance audits on boards and other regulating agencies scheduled for termination on July 1, 1979. These boards/agencies are listed below.

Board of Abstracters

Board of Architects

County Printing Board

Board of Professional Engineers
and Land Surveyors

Investment Division, State Auditor's Office

Board of Landscape Architects

Board of Plumbers

Board of Public Accountants

Board of Real Estate

State Banking Board

State Electrical Board

Board of Institutions

Insurance Division, State Auditor's Office

Board of Warm Air Heating, Ventilation and Air Conditioning

The Legislative Audit Committee reviewed these audit reports and made recommendations for reestablishment, modification, or termination of the regulatory entities based on the sunset audit report process which follows:

1. Audit staff performs the audit and prepares an audit report proposing the alternative methods of regulation.

2. Legislative Auditor furnishes the audit report to the Audit Committee in advance of the next regularly scheduled committee meeting.

3. Audit Committee conducts a public meeting based on the report, takes testimony from the agency and interested third parties and takes the audit report under advisement.

4. At the next meeting the committee normally makes a decision regarding entity modification, continuation, or termination.

5. Audit staff drafts a proposed bill reflecting the Audit Committee's position regarding termination, modification or continuation. The proposed bill is presented to the committee members for review and approval.

6. Legislative Auditor has the proposed bills and audit report summaries printed and bound for public distribution and referral in January 1979 to the Legislature.

Revenue Sharing Act

In September 1977, the Legislative Audit Committee received a request from the Governor that the Office of the Legislative Auditor comply with the Federal Revenue Sharing Audit requirements, thus ensuring that Montana will continue to receive Revenue Sharing Funds. These audit requirements entail an assurance than an independent audit of the recipient's financial statements will be conducted not less than once every three years in accordance with generally accepted auditing standards.

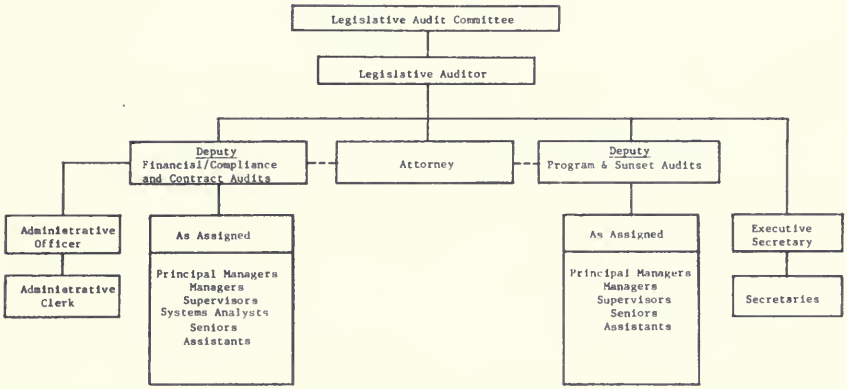
The Committee agreed to meet these audit requirements pending adequate funding. A three year audit cycle has been established and, with the assistance of certified public accountants engaged under contract, the Legislative Auditor expects to fully comply with the Revenue Sharing Audit requirements.

ORGANIZATION

The Office of the Legislative Auditor is organized as follows:

OFFICE OF THE LEGISLATIVE AUDITOR

ORGANIZATION CHART



Approved By Morris L. Brutt

Date October 1, 1978

STAFF MEMBERS

The Office of the Legislative Auditor is staffed by a professional and inter-disciplinary staff, including certified public accountants, economists, statisticians, computer specialists, general business administration graduates and an attorney. All of the auditors meet the following minimum qualifications:

--A bachelor's degree or higher from a recognized college or university;

--A high level of intelligence and potential for growth;

--The ability to assimilate large masses of complex and diversified data and draw meaningful conclusions;

--Knowledge of generally accepted principles, theory, and practice of auditing and accounting and of their application to management decisions and accounting problems;

--The ability to work with others on a professional plane; and

--An unusual amount of imagination, creativeness, analyticity, perserverance, and resourcefulness.

In addition to the foregoing basic requirements, auditors are encouraged to seek advanced academic degrees, take and pass the certified public accountant's examination and attain other forms of professional recognition. They are assisted in these endeavors by a formal training program which incorporates on the job training/development as well as formal classroom/seminar types of training.

The staff members at December 31, 1978 are as follows:

Legislative Auditor - Morris L. Brusett, CPA

Deputy Legislative Auditor - Ellen J. Feaver, CPA

Legal Counsel - John W. Northey, JD

Program Audit Staff	Office Staff
Walt M. Bagley, Ph.D.	Administrative Officer:
Joseph J. Calnan	Kathy L. Seacat
Wendell A. Deadmond	Administrative Clerk:
Thomas L. Herzig, MBA	Sharon L. Saxbury (Half-time)
Bob M. LaDow, M.S.	Executive Secretary:
Jim C. McVeigh, MBA	Rose M. Munger
Mike E. Murphy, M.S.	Secretaries:
Jim M. Nelson, M.S.	Jan L. Orsello
James R. Pellegrini, M.S.	Darlene Pallister
Scott A. Seacat, MBA	
Richard D. Varner	

Financial/Compliance Audit Staff

Kathy R. Ashmore
Charles D. Avery
Michele P. Biglen
Marvin H. Eicholtz
James H. Gillett, CPA
Marcia E. Goodell, CPA
David K. Gould, M.S.
Wayne D. Guazzo
Robin L. Hein, CPA
Tony J. Herbert
Wayne J. Kedish, CPA
Gayle R. Larson, CPA
Scott A. Ludlow
Jim G. Manning
Tom E. Martello, CPA
Dave E. Mott, CPA
Jack C. Nielson, CPA
Darla K. Semple
Lorry S. Sether
Margaret M. Shinn
Bruce P. Stephenson
James T. Sveinson
Mary E. Tucci
Larry A. Viano, CPA
Charles M. Virag
Rikke A. Woodhouse
Gary H. Zahller, CPA
Darrell G. Zook

AUDITS IN PROGRESS AT DECEMBER 31, 1978

CETA

Commissioner of Campaign Finances and Practices

Department of Administration, Treasury Division

Department of Highways

Department of Institutions,
  Alcohol and Drug Abuse Division

Department of Justice

Department of Revenue

Governor

Great Falls Vocational-Technical Center

Helena Vocational-Technical Center

Northwest Community Mental Health Center

Public Employees' Retirement System

Public Service Commission

School for Deaf and Blind

Secretary of State

Teachers' Retirement System

SUMMARY OF RECOMMENDATIONS

The 85 audit reports issued during the biennium contained over 1500 recommendations relating to the operations of state agencies. (See Index to Reports Issued, Page 27.) The purpose of the recommendations is to provide better accountability and management of state resources and activities. Many of the reports included recommendations addressing recurring problems such as inadequate control of fixed assets, money, payroll and employee leave, inadequate documentation of employee travel and more optimum use of the state investment program.

Some of the recommendations made during the biennium were not of a recurring nature but rather address such unique issues as:

1. Enact legislation to provide for disqualification for the duration of unemployment caused by voluntarily leaving employment without good cause and reemployment requirements to establish attachment to the labor market;

2. Modify the Fish and Game drawing programs to allow each applicant an equal chance of selection;

3. Develop a plan to fund the Game Wardens' Retirement System on a sound basis, and seek legislation to adequately fund the System;

4. Take the necessary steps to assure all state owned water projects are in safe operating condition;

5. Enact legislation requiring the payment of taxes or royalties based on the value of the oil and gas when sold rather than when produced;

6. Establish a uniform community college record-keeping system;

7. Modify the Statewide Budgeting and Accounting System to permit the processing of transactions from two fiscal years;

8. Modify the payroll system to make it more compatible with the Statewide Budgeting and Accounting System;

9. Establish procedures that provide for the Medicaid provider warrants to be written and mailed by the State Auditor;

10. SRS include in its contract with Dikewood:

    a. A provision to establish a transition period for claims processing at the end of the contract period;

    b. A reasonable nonperformance liability clause;

11. Develop a nursing home reimbursement plan for facilities and equipment costs which is fair to both SRS and the nursing home providers;

12. Use Montana Medicaid funds to pay only for nursing care for recipients requiring medical care;

13. Include provisions in its DDD contracts and grants that will ensure the state retains title to property purchased with DDD funds;

14. Discontinue providing emergency grants to pay bills accumulated by providers;

15. Establish written economic need criteria for the Visual Services Division as required by state regulations.

INDEX TO

REPORTS ISSUED

1977-1978

	Report No.
Administration	
Department of Administration, November 1977	76-3
Architect and Engineering Division, September 1977	76-4
Board of Investments, February 1977	76C-14
Board of Investments, December 1977	77C-2
Board of Investments, December 1978	78C-14
Data Processing, November 1977	76-5
Intergovernmental Personnel Act, July 1977	76-15
Public Employees' Retirement System, February 1977	76C-2
Teachers' Retirement System, February 1977	76C-3
Business Regulation	
State Banking Board, September 1978	77SS-9

Reports Issued (Continued)

	Report No.
Community Affairs	
Aeronautics Division, February 1977	76-9
Human Resources Division, February 1978	77-15
Education	
Advisory Council for Vocational Education, September 1977	77-4
Montana Arts Council, November 1977	77-2
Montana Bicentennial Administration, July 1977	76-12
Montana Historical Society, February 1977	76C-6
Montana Historical Society, December 1978	78C-12
Fish and Game	
Department of Fish and Game, June 1976	76C-17
Department of Fish and Game, August 1978	77-3
Highways	
Department of Highways, May 1977	76C-8
Institutions	
Board of Institutions, October 1978	77SS-11
Department of Institutions, December 1978	78C-14

Reports Issued (Continued)

	Report No.
Boulder River School and Hospital, February 1977	76C-16
Center for the Aged, February 1978	77C-7
Eastmont Training Center, November 1977	77C-8
Montana Veterans' Home, October 1978	78C-11
Mountain View School, November 1977	77-8
Pine Hills School, December 1977	77C-6
Swan River Youth Forest Camp, November 1977	77C-5
Warm Springs State Hospital, December 1977	77C-3

Justice

Crime Control Division, October 1978	78C-4
Department of Justice, December 1976	76C-1
Workers' Comp. Grand Jury, June 1978	78-3

Labor and Industry

Employment Security Division, January 1977	76-2
Employment Security Division, May 1978	77-7
Labor Standards Division, Human Rights Division and Personnel Appeals Division, February 1978	77-1

Reports Issued (Continued)

	Report No.
Division of Workers' Compensation, December 1978	78C-2
Lands	
Department of State Lands, February 1977	76C-12
Legislature	
Consumer Counsel, October 1978	78C-3
Environmental Quality Council, October 1978	78C-3
Fiscal Analyst, October 1978	78C-3
Legislature, October 1978	78C-3
Legislative Council, October 1978	78C-3
Livestock	
Department of Livestock, February 1977	76C-13
Military Affairs	
Department of Military Affairs, October 1978	78C-10
Natural Resources	
Board of Oil and Gas Conservation, July 1978	77-13

Reports Issued (Continued)

	Report No.
Department of Natural Resources and Conservation, September 1978	77-19
Department of Health and Environmental Sciences, December 1978	78C-5
Professional Licensing	
Board of Abstracters, February 1978	77SS-1
Board of Public Accountants, September 1977	77-6
Board of Public Accountants, June 1978	77SS-2
Board of Architects, June 1978	77SS-3
Electrical Board, July 1978	77SS-8
Board of Landscape Architects, October 1978	77SS-7
Board of Plumbers, September 1978	77SS-13
Professional Engineers and Land Surveyors, September 1978	77SS-10
Board of Real Estate, March 1977	76-14
Board of Real Estate, October 1978	77SS-4
Review of Expenditure Abatements, February 1978	77-21
Board of Warm Air Heating, Ventilation, and Air Conditioning, October 1978	77SS-14

Reports Issued (Continued)

	Report No.
Social and Rehabilitation Services	
Developmental Disabilities Division, October 1978	77-22
Medicaid Program, February 1978	76-11
Visual Services Division, February 1978	76-11
State Auditor's Office	
Insurance Department, September 1978	77SS-5
Investment Division, October 1978	77SS-12
Office of the State Auditor, December 1978	78C-13
Superintendent of Public Instruction	
CETA, September 1976 (4 reports issued)	76C-27
Special Education, September 1978	77-16
Office of the Superintendent of Public Instruction, December 1978	78C-9
Treasurer	
Office of the State Treasurer, March 1977	76-8
Office of the State Treasurer, May 1978	77-11
University System	
Office of Commissioner of Higher Education and Board of Regents, November 1977	77-5

Reports Issued (Continued)

	Report No.
Eastern Montana College, February 1978	77C-1
Miles Community College, July 1977	76-13
Miles Community College, October 1978	78C-8
Montana College of Mineral Science and Technology, April 1977	76C-31
Northern Montana College, September 1977	77C-29
University of Montana, September 1977	76C-28
Western Montana College, April 1977	76C-30
Western Montana College, December 1978	78C-7
National Direct Student Loan, College Work Study and Supplemental Educational Opportunity Grants Program, December 1978	78C-7

Miscellaneous

Review of Expenditures In Excess of Appropriations for Certain State Agencies, January 1978	77-20

LEGAL AUTHORITY

Constitution

The new State Constitution, effective July 1, 1973, provides for establishing control of the state post-audit function within the legislative branch. Specifically, Article V, Section 10(4), Constitution of Montana, provides in part:

> "The legislature shall establish a legislative post-audit committee which shall supervise post-auditing duties provided by law."

The Legislative Audit Act

The Legislative Audit Act became law as Chapter 249, Session Laws of 1967. The statutory authority and responsibilities relating to the legislative audit function are contained in Title 79, Chapter 23, R.C.M. 1947, and are reprinted here as amended by Chapter 367, Session Laws of 1974, effective July 1, 1974:

> 79-2301. Title and purpose of act. This act may be cited as "The Legislative Audit Act." Because the legislative assembly is responsible for authorizing the expenditure of public moneys, designating the sources from which moneys may be collected, shaping the administration to perform the work of state government, and is held finally accountable for fiscal policy, the legislative assembly should also be responsible for the audit of fiscal accounts and records so that it may be assured that its directives have been faithfully carried out. It is the intent of this act that each agency of state government be audited for the purpose of furnishing the legislative assembly with factual information vital to the discharge of its legislative duties.
>
> 79-2302. Definitions. In this act
>
> (1) "State agency" means all offices, departments, boards, commissions, institutions, universities, col-

leges, and any other person or any other administrative unit of state government that spends or encumbers public moneys by virtue of an appropriation from the legislative assembly, or that handles money on behalf of the state, or that holds any trust or agency moneys from any source.

(2) "Committee" means the legislative audit committee.

79-2303.1. Legislative audit committee created. (1) There is hereby created a legislative audit committee which shall be a permanent joint committee of the legislative assembly.

(2) There is hereby created and established the office of the legislative auditor. The director of this office shall be responsible for performing the duties imposed by this act.

79-2304. Legislative audit committee--appointment and term of members--officers. The legislative audit committee consists of four (4) members of the Senate and four (4) members of the House of Representatives appointed before the sixtieth legislative day of the first session of the biennium in the same manner as standing committees of the respective houses are appointed. A vacancy on the committee occurring when the legislative assembly is not in session shall be filled by the selection of a member of the legislative assembly by the remaining members of the committee. No more than two (2) of the appointees of each house shall be members of the same political party. A member of the committee shall serve until his term of office as a legislator ends or until the end of the sixtieth legislative day of the second session of the biennium following his appointment or until his successor is appointed, whichever occurs first. The committee shall elect one of its members as chairman and such other officers as it deems necessary.

79-2305. Meetings. The committee shall meet as often as may be necessary, during and between legislative sessions, to advise and consult with the legislative auditor. Committee members shall be reimbursed from the appropriation to the office of the legislative auditor for their actual and necessary expenses incurred as a result of interim meetings, and paid compensation as provided by law for interim standing committees.

79-2307. Appointment and qualifications of legislative auditor. The committee shall appoint the legislative auditor and set his salary. The legislative

auditor shall hold a degree from an accredited college or university with a major in accounting or an allied field and shall have at least two (2) years experience in the field of governmental accounting and auditing.

79-2308. Appointment of employees, consultants, and legal counsel. The legislative auditor may appoint whatever employees and consultants are necessary to carry out the provisions of this act, within the limitations of legislative appropriations. The legislative auditor may employ legal counsel to conduct proceedings under this act.

79-2309. Term and removal of legislative auditor. The legislative auditor is solely responsible to the legislative assembly. He shall hold office for a term of two (2) years beginning with July 1 of each odd numbered year. The committee may remove him for misfeasance, malfeasance or nonfeasance in office at any time after notice and hearing.

79-2310. Duties of legislative auditor. The legislative auditor shall

(1) Audit the financial affairs and transactions of every state agency.

(2) Make a full, complete and written report of each audit. A copy of each report shall be furnished to the state department of administration, to the state agency which is audited, to each member of the committee, and to the legislative council.

(3) Report immediately in writing to the attorney general and the governor any apparent violation of penal statutes disclosed by the audit of a state agency, and furnish the attorney general all information in his possession relative to the violation.

(4) Report immediately in writing to the governor any instances of misfeasance, malfeasance or nonfeasance by a state officer or employee disclosed by the audit of a state agency.

(5) Report immediately to the surety upon the bond of any official or employee when an audit discloses a shortage in the accounts of the official or employee. The failure to notify the surety does not release the surety from any obligation under the bond.

(6) Report to the legislative assembly during the first week of each regular session in odd numbered years. Each biennial report shall contain, among other things, copies of, or summaries of audit reports on

state agencies and any recommendations relating to such reports.

(7) Have the authority to audit records of organizations and individuals receiving grants from or on behalf of the state to determine that the grants are administered in accordance with the grant terms and conditions. In each instance when a state agency enters into an agreement to grant resources under its control to others, the agency must obtain the written assent of the grantee to this audit access provision consenting to an audit of such grantee.

79-2311. Audit standards and objectives. The objectives of audits of state agencies conducted by the legislative auditor are to determine whether

(1) The agency is carrying out only those activities or programs authorized by the legislative assembly and is conducting them efficiently and effectively.

(2) Expenditures are made only in furtherance of authorized activities and in accordance with the requirements of applicable laws and regulations.

(3) The agency collects and accounts properly for all revenues and receipts arising from its activities.

(4) The assets of the agency or in its custody are adequately safeguarded and controlled and utilized in an efficient manner.

(5) Reports and financial statements by the agency to the governor, the legislative assembly, and central control agencies disclose fully the nature and scope of the activities conducted, and provide a proper basis for evaluating the agency's operations.

79-2311.1. Legislative auditor to assist legislative assembly during sessions. During sessions of the legislative assembly, the legislative auditor and his staff, when requested, shall assist the legislative assembly, its committees, and its members by gathering and analyzing information relating to the fiscal affairs of state government.

79-2312. Recommendations of legislative auditor. The reports of the legislative auditor may include comments, recommendations and suggestions, but he shall have no power to enforce them nor shall he otherwise influence or direct executive or legislative action.

79-2314. Information from state agencies. (1) All state agencies shall aid and assist the legislative auditor in the auditing of books, accounts and records.

(2) The legislative auditor may examine at any time the books, accounts and records, confidential or otherwise, of a state agency; however, this shall not be construed as authorizing the publication of information which the law prohibits publishing.

(3) The head of each state agency shall immediately notify the legislative auditor in writing upon the discovery of any larceny, or embezzlement, actual or suspected involving state moneys or property under his control or for which he is responsible.

79-2315. Attorney general shall prosecute. The attorney general shall conduct on behalf of the state, all prosecutions for public offenses disclosed by an audit of a state agency performed by the legislative auditor. If the attorney general shall decline such prosecution or shall fail to commence action on a public offense within a reasonable time the county attorney of the appropriate county shall conduct on behalf of the state such prosecution.

The Sunset Law

The Sunset Law enacted by the 1977 Legislature (Chapter 562 Session Laws of 1977) places specific responsibilities on the Legislative Audit Committee and the Office of the Legislative Auditor. These are:

82-4604. Legislative audit committee review. (1) The legislative audit committee is responsible for having conducted a review of each agency scheduled for termination by 82-4603. The review shall be completed at least 6 months prior to the date set for termination.

(2) The review conducted shall include a performance audit of the agency and a thorough examination of the following:

(a) Would the absence of regulation significantly harm or endanger the public health, safety, or welfare?

(b) Is there a reasonable relationship between the exercise of the state's police power and the protection of the public health, safety, or welfare?

(c) Is there another less restrictive method of regulation available which could adequately protect the public?

(d) Does the regulation have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree?

(e) Is the increase in cost more harmful to the public than the harm which could result from the absence of regulation?

(f) Are all facets of the regulatory process designed solely for the purpose of and have as their primary effect the protection of the public?

(3) The legislative audit committee shall assist in the implementation of the provisions of this act and shall establish administrative procedures which facilitate the review and evaluation as required in this act.

(4) Upon completion of its review, the legislative audit committee shall make a report of its recommendations for continuation, modification, or termination and submit a proposed bill for the ensuing legislative session. If termination is recommended, the bill should repeal or otherwise deal with all statutes and parts of statutes for which the agency reviewed is responsible.

BUDGET REPORT
1977-79 BIENNIUM

	Audit Program	
	1977-78 Actual	1978-79 Estimated
Reimbursements for audits of Federal or Earmarked Funds	$319,553	$ 183,000
Expenditures:		
Personal Services	$761,717	$1,001,798
Operating Expenses	92,078	182,140
CPA Contract Audit Program	75,929	188,500
Equipment	8,894	5,000
Total	$938,618	$1,377,438
Funding:		
General Fund Appropriation	$938,618	$1,377,438